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INTEGRATION OF COST MANAGEMENT AND MARKETING

Establishing an effective system of cost management is a major problem for any company, as a reasonable implementation of this system allows not only to minimize costs and prices but also to improve the competitiveness of enterprises at the market. This effect can be achieved only with knowledge of the correlation between cost management and marketing strategy of the company.

The urgency of the problem is based on the fact that in today's market conditions market competition determines the direction of industries development, production improvement, new ideas and product development, reduction of costs and prices. Attempts to ignore market demands are quite predictable: lack of consumer interest, glut of production, binding of circulating assets in unrealizable finished products, shortfall in projected revenue, weakening of the financial strength, losses and bankruptcy.

That is why, Ukrainian companies should introduce not only the operational tools of cost management, but also the strategic marketing tools that can give reliable competitive advantages, the feasibility of long-term business strategy, and the reproduction of wealth invested in the production.

Management is a unified whole. On the one hand, marketing management focuses on the growth of market share, customer base, the degree of customer satisfaction. Cost management system, on the other hand, determines the main features of the production optimization, reduction of cost and the number of defects, product quality improvement, sales increase and, consequently, the possibility of continuous production of goods.

Synthesis of marketing and cost management leads to the appearance of the target cost management, or target-costing. This system is practically not covered by Ukrainian researchers, while European scientists have been developing it from the early 90's, and Japanese specialists have successfully been using it since the 60's.

Target cost management (target-costing) is a strategic management tool,

including management of material costs that supports the strategy of targeted cost reductions by ensuring the realization of such functions, as:

- planning of new products production;
- preventive costs control;
- calculation of the target cost in accordance with market situation.

The essence of the target-costing is that instead of the standard question: "How much does production cost?" (Production-oriented cost management) another question is raised: "What is acceptable cost of production?" (Market-oriented cost management system). With the system of target-costing, the company focuses entirely on the conditions of market competition and customers. In this case, its primary task is performed: the definition of costs of production which at strictly defined market price will enable the company to get profit. At the same time, the products developed must meet the requirements of consumers in all quality characteristics. The decisive role in all of the above should be attributed to the material part of the products.

Thus, the allowable size of the cost of target-costing is defined as follows:

$$\text{Price} - \text{Profit} = \text{Cost}.$$

It means that target price is determined initially. It is the price that buyers are willing to pay for the product. Target price is determined by the market. Target profit, respectively, is being planned by the company. The difference between the target price and target profit will match eligible costs. The difference between eligible and normative costs of the enterprise is aimed at costs reduction. In Ukraine, the cost-based mechanism (including materials) in the planning of commercial products and the actual costs incurred in its implementation have not been compared.

Thus, the benefits of target-costing are to organize activities of costs reduction with a maximum focus on customer satisfaction. By dividing the target costs accurate costs standards are set. It helps managers to control costs of the enterprise. Target-costing, in fact, represents the most promising strategic tool for the direct preventive cost management in modern enterprise management concepts.

Cost management system is specific for each company, adapted to the peculiarities of production and operating conditions. However, only in conjunction with a system of strategic marketing this management is productive and able not only to minimize costs, but mainly to carry out their reproduction, and also to increase the competitiveness of products and, thereby, increase sales of the

enterprise.

It should be noted that the management of marketing processes is necessarily associated with the reproduction of productive resources and, firstly, the materials as their share in the costs is about 70% at any industrial enterprise.